

ANNUAL REPORT

ANCHOR STEEL AND CONVEYOR COMPANY " "
CONVEYORS

DESIGNERS AND MANUFACTURERS

6906 KINGSLEY AVENUE • DEARBORN, MICHIGAN 48126



1966



DIRECTORS

1

MARSHALL I. BRENNER
FRANK P. HASTINGS
ARTHUR B. PFLEIDERER
HARRY GARLAND
JOHN P. O'HARA
F. WILLIAM SHUDE
RALPH B. GRIERSON
DAVID JASSY
JOSEPH STROBL

GENERAL OFFICES
6906 KINGSLEY AVENUE
Dearborn, Michigan 48126

OFFICERS

HARRY GARLAND
Chairman of the Board
MARSHALL I. BRENNER
President and General Manager
T. N. HEGELMAN
*Vice-President for Sales
and Marketing*
ADE CZARNECKI
Vice-President for Engineering
F. WILLIAM SHUDE
*Secretary and Assistant
to the President*
HAROLD A. RIETH
Treasurer

TRANSFER AGENT
THE DETROIT BANK
AND TRUST COMPANY
Detroit, Michigan

STAFF

E. BRUCE MUMFORD
Sales Engineer
M. MICHAELS
Sales Engineer
JOHN W. KOSTYO
Sales Engineer
WILLIAM E. ROGERS
Sales Engineer
BRUCE PREBLE
*Sales Engineer and
Advertising Manager*
C. DOUGLAS SMITH
Merchandise Sales
GEORGE GARRISH
Chief Estimator
ERWIN FELT
Chief Electrical Engineer
RONALD J. KETKO
Chief Draftsman
HAROLD QUINN
Director of Purchases
WILLIAM WEBSTER
Controller
JOSEPH JORDAN
Field Superintendent
THANE GILLESPIE
Shop Superintendent
HARRY VANCORE
Shop Foreman
PAUL SPEEN
Shop Foreman
CHESTER NEAL
Shop Foreman
JOSEPH DEBUSSCHERE
Shop Foreman
GEORGE CURRIE
Traffic Manager

AUDITORS
ERNST & ERNST
Detroit, Michigan

FOR THE YEAR

	1966	1965
SALES	\$13,685,948	\$10,426,123
DIVIDENDS25	.12½
PROFITS	1,008,665	526,923
WORKING CAPITAL	1,938,336	1,224,349
BOOK VALUE PER SHARE	5.11	3.52

To the Stockholders:

February 13, 1967

In our letter to the Stockholders of November 2, 1966, we indicated that 1966 would exceed 1965 in both volume of sales and after-tax profits. This report dramatically confirms this, and thus 1966 becomes the best year in the history of the Company. Our total billed sales were \$13,685,948, which exceeds 1965 by 31 per cent. After-tax profits were \$1,008,665 or \$1.83 per share, which exceeds 1965 by 90 per cent. Twenty-five cents (25¢) per share in dividends was paid in 1966 in contrast to 12½¢ in 1965. Your Board of Directors feels that a conservative policy on dividends is in the best, long-range interest of the Stockholders. The working capital requirements for this business are unusually demanding, due to the long-performance times on major projects. In addition, our capital expansion and improvement program has required a considerable outlay of cash. In this regard, it is evident that the money expended for that purpose over the past two years has made a substantial contribution to the increased profits for 1966.

Last year in the president's letter, it was indicated that we expected that we would be faced with problems of aggravated labor shortages, particularly in the engineering and installation phases of our work. These problems were met successfully in 1966 and may be eased slightly in 1967 by the state of the national economy.

Our backlog going into 1967 was down somewhat from the previous year end. However, new booked sales in the first two months of 1967 are substantial. We are unable at this point to fully assess the impact of conflicting factors in the economy on our business. Certain factors, such as the suspension of the investment credit allowance on capital goods buying and the reduction in automotive sales, may tend to indicate some drop-off in sales. On the other hand, we feel that good progress has been made in expansion of our markets, and at this point our volume of inquiries and sales activity continues at a high level. Consequently, we face 1967 with considerable optimism, although we are unable to project overall sales and profits for the year at this point.

A total of approximately \$525,000 was expended in 1965 and 1966 on buildings and new equipment. Some of these projects were completed during 1966. Despite some uncertainties in the business picture, we intend to continue this program in 1967 and are projecting approximately \$300,000 expenditure for this year. This money will be spent on badly needed additions and improvements. We are convinced that our overall sales potential, particularly during peak months, will be limited by the size of our physical plant, until we achieve our long-range goals. These plans for further capital expenditure are discussed elsewhere in this report.

For the Board of Directors,
MARSHALL I. BRENNER
President

PROGRESS AND PLANNING

FACILITY ADDITIONS

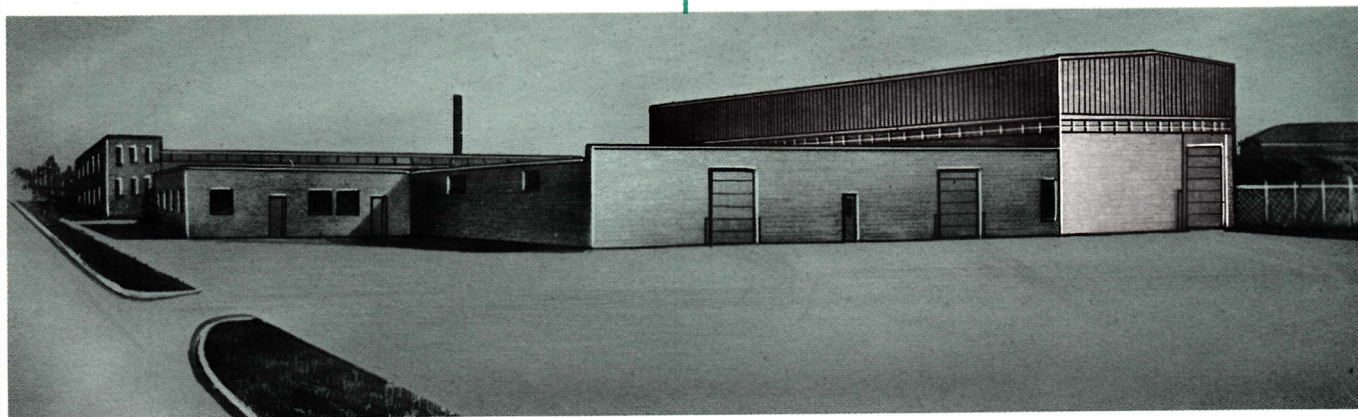
In our 1965 year-end statement, we reported that we had purchased land just north of Flint, Michigan, for a warehouse and field facility to better serve the Flint-Saginaw-Bay City area. The building was completed in 1966. The photograph at the right shows a view of this facility from Dort Highway. We have sufficient acreage at this location to increase the size of this building in future years, as the need arises.



4

We have recently awarded contracts for a 10,000 square foot addition to our main plant in Dearborn. This will be a high bay building, which will provide badly needed floor space for steel fabrication and for assembly and pre-testing before shipment to the customer's plant.

We expect this addition to be completed in August, 1967. This building is the first stage of a two-stage project, which has been planned to modernize the layout and bring increased efficiency to our operation. This addition is shown highlighted below.

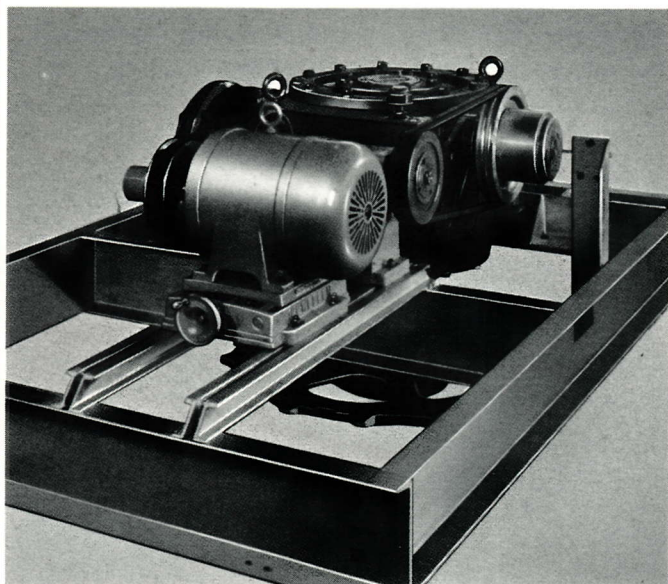


MANUFACTURING AND QUALITY CONTROL

5

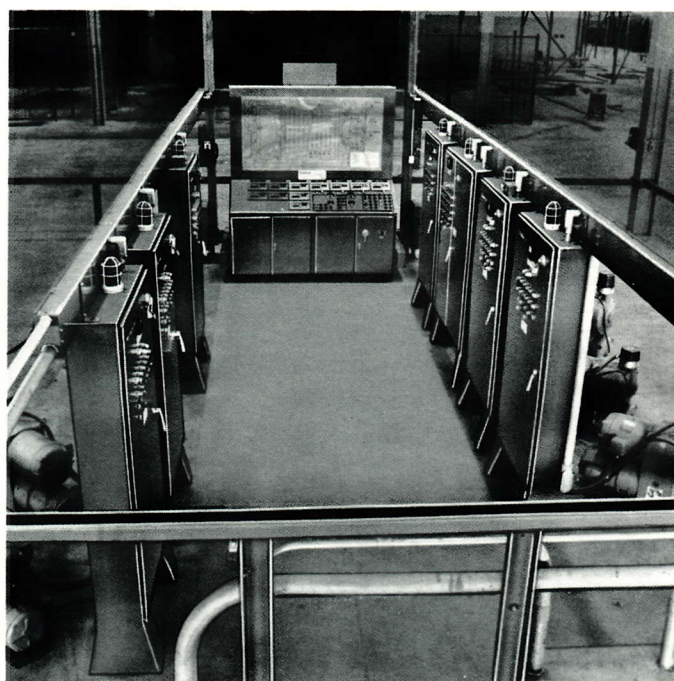
During 1966 additional metal working equipment was purchased to make our shop operation less dependent upon outside sources, and new quality control equipment and practices were added. Additional supervisory personnel have been promoted to oversee our expanded operations.

Field equipment is being modernized to enable our installation crews to work as efficiently as possible.



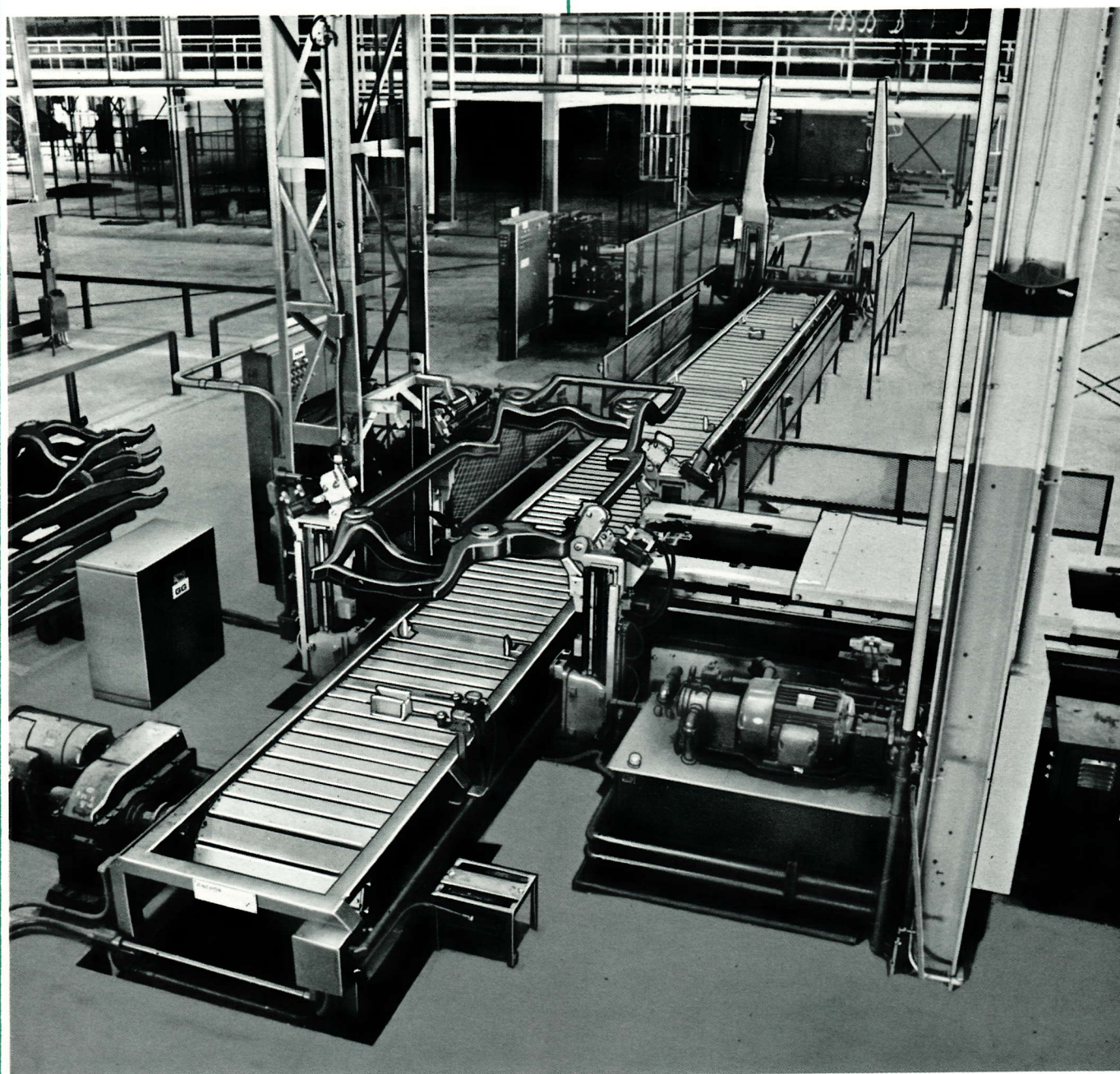
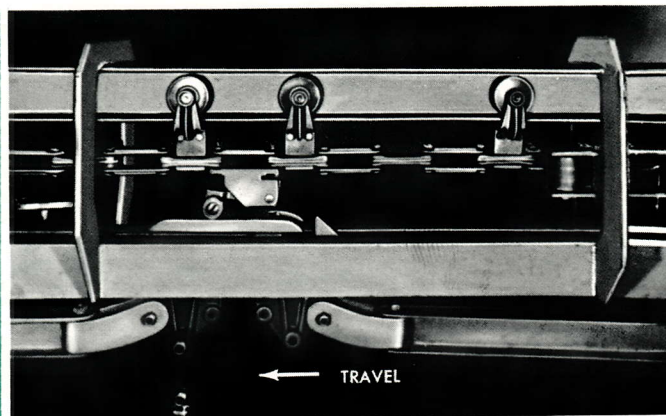
RESEARCH AND DEVELOPMENT

Your Company continues to search out products in our related fields, which seem to offer the greatest potential for sales expansion. In our 1965 year-end statement, we advised you of the development of our Nest-Pak Power and Free System. At that time we had much favorable response from our major customers. Late in 1966, we completed our first major installation of Nest-Pak, and this, in combination with a sizeable installation of sophisticated handling equipment, constituted our first major project in the Canadian market. This installation has aroused considerable interest throughout the United States and Canada. A number of concerns from both countries have visited the installation. This is a very complex system, and further demonstrates the ability of your Company to handle major engineered contracts under widely varying conditions and locations. Much experience has been gained under the Nest-Pak concept in this installation. At this point we are quoting heavily in systems of this type, and would expect that 1967 should show further advances in the sale of this product.



At the present time we are working with another firm on a prototype of equipment which may provide us potential in the steel industry.

Our patent activity has increased over the last two to three years, and we have applied for patents in foreign countries, as well as in the United States. From time to time we have been contacted by foreign companies anxious to consummate license arrangements. At this point no action has been taken in this area, but we would expect that this would be an area of close evaluation in 1967.



ADVERTISING

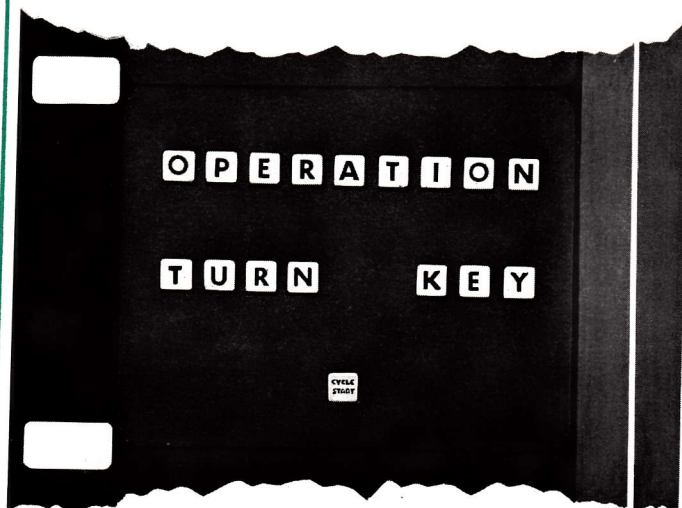
During 1966 we continued an aggressive advertising program in national trade publications, in order to further project the image of your Company as a competent, capable factor in this industry.

Overall effectiveness of industrial advertising in engineered systems is not easy to assess; however, we have been gratified by the response this advertising has generated.

Our program has resulted in inquiries from companies and industries which we would not have been able to contact otherwise.

SALES PROMOTION

We intend to continue the use of professional movies of our more complex installations, as we find that it has dramatic impact on the buyers of engineered equipment.



In 1966 we participated in the Foundry Show in Cleveland, and the Midwest Material Handling Show in Chicago. In both shows we featured working installations of our Nest-Pak with considerable interest displayed by the many segments of industry.

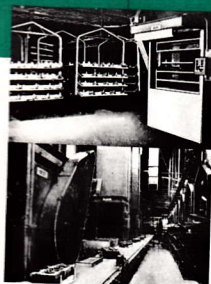
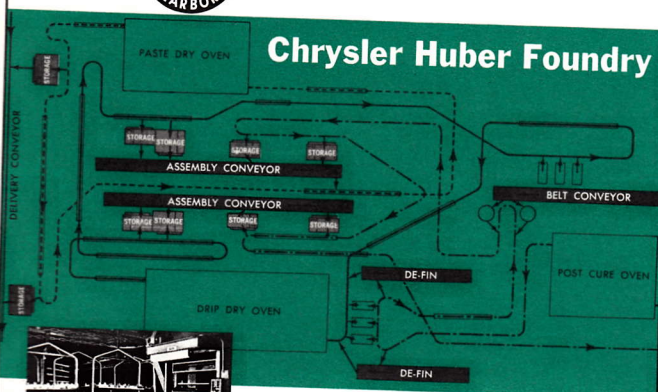


PROOF



You can handle "IT"
BETTER FOR LESS on an
ANCHOR SYSTEM

Chrysler Huber Foundry



Anchor Systems Engineering and Components are combined to form two complete core assembly and handling facilities at Chrysler's new Huber Foundry.

5 Overhead Conveyors, 9 Belt Conveyors, 19 Storage Elevators, and miscellaneous handling equipment, provide a flexible, efficient department in this modern foundry.

Anchor designs, manufactures and installs conveyor systems for all industries. For further information write for a copy of our 104-page Engineering Manual.



ANCHOR STEEL AND CONVEYOR COMPANY
CONVEYORS

DESIGNERS AND MANUFACTURERS

6906 KINGSLEY AVENUE • DEARBORN, MICHIGAN 48126
313-846-6000



SALES CONCEPT

The conveyor industry is in a rapidly developing trend calling for increased precision and complexity in our products. Our customers are now demanding that we accept "Total Responsibility," from design to installation of our equipment and work of others that might be involved in a "Total System Concept." Your Company finds itself in an excellent position to exploit this continuing and rapidly expanding trend, and would expect that the coming

years would put us in a favorable position to meet this need. The prime requisites which are necessary to successfully carry out such undertakings have been an inherent part of the philosophy of our operation for a number of years, but in the past two to three years we have taken steps to sharpen our capabilities in this area in order to conduct ourselves on a broader basis within this concept.





BALANCE

ASSETS

December 31, 1966 1965

CURRENT ASSETS

Cash (including certificates of deposit of \$1,000,000 in 1966)	\$ 1,246,865	\$ 648,817
Short-term investment	98,515	— 0 —
Accounts receivable, less allowance of \$5,000	1,038,598	694,298
Cost of work performed on uncompleted contracts, less billings of \$167,190 in 1966 and \$19,800 in 1965 — Note A	308,231	361,416
Inventory of materials and purchased parts — at lower of first-in, first out cost or market	490,694	389,879
Prepaid expenses	52,871	44,416

TOTAL CURRENT ASSETS 3,235,774 2,138,826

OTHER ASSETS

51,728 31,280

PROPERTY, PLANT, AND EQUIPMENT — on basis of cost — Note C

Land	69,679	54,802
Buildings and improvements	707,599	663,775
Machinery and equipment	419,916	308,964

1,197,194 1,027,541

Less allowances for depreciation 379,272 346,349

817,922 681,192

\$ 4,105,424 \$ 2,851,298

SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31, 1966 1965

CURRENT LIABILITIES

Accounts payable	\$ 255,686	\$ 186,832
Payrolls and amounts withheld therefrom	124,290	105,612
Contribution to profit-sharing retirement plan — Note B	136,354	109,646
Taxes, other than income taxes	61,220	50,099
Allowance for warranties and additional costs on completed contracts	50,000	25,000
Federal income taxes	656,093	406,621
Billings on uncompleted contracts, less cost of work performed of \$140,976 in 1966 and \$33,841 in 1965 — Note A	13,795	30,667
TOTAL CURRENT LIABILITIES	1,297,438	914,477

STOCKHOLDERS' EQUITY

Common Stock, \$1.00 par value:		
Authorized — 700,000 shares		
Issued and outstanding — 550,000 shares	550,000	550,000
Additional paid-in capital	106,295	106,295
Retained earnings	2,151,691	1,280,526
	<u>2,807,986</u>	<u>1,936,821</u>
	<u>\$ 4,105,424</u>	<u>\$ 2,851,298</u>

See notes to financial statements.



STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Years ended December 31	1966	1965
Billings on contracts completed during the year and sales of service parts — Note A	\$13,685,948	\$10,426,123
Other income	20,387	4,216
	<u>13,706,335</u>	<u>10,430,339</u>
Costs and expenses, including provision for depreciation of \$65,123 in 1966 and \$51,156 in 1965:		
Cost of completed contracts and service parts sold	10,722,413	8,501,917
Selling and administrative expenses	1,075,257	872,770
Loss on sale of properties	— 0 —	18,751
Interest expense	— 0 —	9,978
	<u>11,797,670</u>	<u>9,403,416</u>
EARNINGS BEFORE FEDERAL INCOME TAXES	1,908,665	1,026,923
Federal income taxes	900,000	500,000
NET EARNINGS	1,008,665	526,923
Retained earnings at January 1	1,280,526	822,353
	<u>2,289,191</u>	<u>1,349,276</u>
Less cash dividends paid — \$.25 a share in 1966, \$.125 a share in 1965	137,500	68,750
RETAINED EARNINGS AT DECEMBER 31	<u>\$ 2,151,691</u>	<u>\$ 1,280,526</u>
Net earnings per share	\$1.83	\$.96

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A — CONTRACTS IN PROCESS

It is the policy of the Company to recognize profits on contracts only upon completion, but to recognize losses as soon as they become apparent.

NOTE B — EMPLOYEE BENEFIT PLANS

The Company has a pension plan for certain hourly-rated employees. Contributions to the plan for the year 1966, based on stipulated rates per hour of compensated employment, approximated \$53,000, including appropriate funding of the past-service liability, which at December 31, 1966, approximated \$239,000 after giving effect to increased benefits during the year.

The Company also has a profit-sharing retirement plan in effect for its salaried employees. A contribution of \$136,354 was required to this plan for 1966.

NOTE C — PLANT EXPANSION

At December 31, 1966, the Company was engaged in a program of plant expansion at an estimated further cost of \$240,000.

ACCOUNTANTS' REPORT

Board of Directors
Anchor Steel & Conveyor Company
Dearborn, Michigan

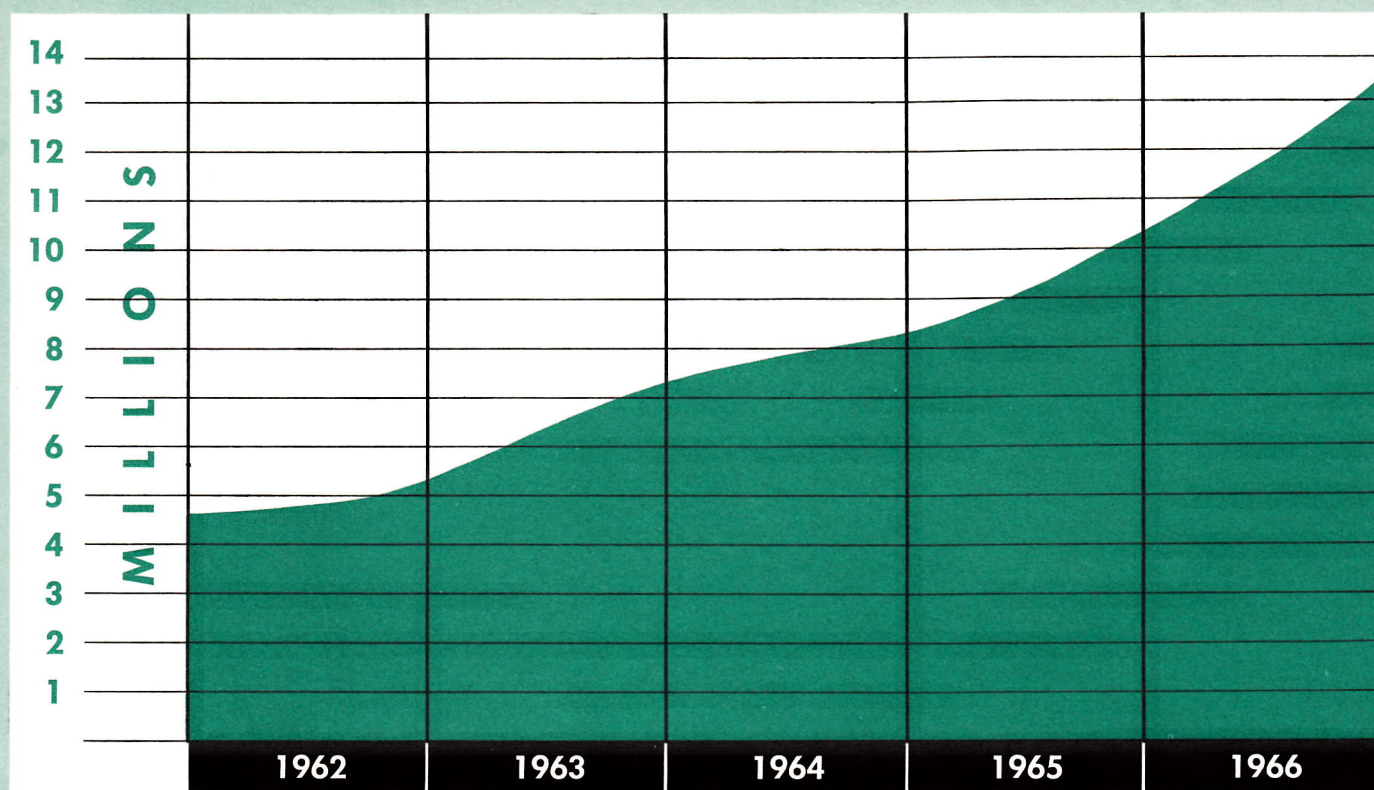
We have examined the financial statements of Anchor Steel & Conveyor Company for the year ended December 31, 1966. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of operations and retained earnings present fairly the financial position of Anchor Steel & Conveyor Company at December 31, 1966, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Eruss & Eruss

Detroit, Michigan
February 20, 1967

FIVE YEAR SALES



13

FIVE YEAR SUMMARY

	1966	1965	1964	1963	1962
Completed contract sales	\$13,685,948	\$10,426,123	\$8,209,203	\$7,455,225	\$5,320,648
Earnings before taxes	1,908,665	1,026,923	629,581	763,530	(24,188)
Earnings after taxes	1,008,665	526,923	329,581	463,530	(24,188)
Earnings per share	1.83	.96	.60	.84	—
Dividends paid per share25	.12½	.05	—	—
Working capital	1,938,336	1,224,349	990,051	720,170	397,324
Ratio - current assets to liabilities .	2.50	2.33	2.09	1.94	1.40
Stockholders' equity	2,807,986	1,936,821	1,478,648	1,176,567	713,037
Book value per share	5.11	3.52	2.69	2.14	1.30

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ANCHOR STEEL AND CONVEYOR COMPANY » »
CONVEYORS

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